

SPEAKING NOTES FOR JIM WILSON

MINISTER OF ENERGY, SCIENCE AND TECHNOLOGY

1<sup>ST</sup> ANNUAL SYMPOSIUM ON COMBINED HEAT AND  
POWER ENERGY SOLUTIONS FOR THE 21<sup>ST</sup>  
CENTURY

TUESDAY, FEBRUARY 1, 2000

WASHINGTON, D. C.

CHECK AGAINST DELIVERY

Thank you, Mr. Reicher\*. It's a real pleasure to be here today at this worthwhile symposium.

As far as I know, it's the first major conference to focus exclusively on combined heat and power. And, as people begin to realize its tremendous potential, there will likely be many more sessions like this in the future.

This conference is about the importance of combined heat and power. It's a subject that's gaining importance not only here, but at home in Ontario, and around the world.

All of you are well aware of how global energy markets are evolving. You know about the vast potential and the abundant opportunities that lie ahead for combined heat and power projects. That's why you're here.

And, that's why I'm here. I want to talk to you about Ontario's evolving competitive electricity market and the abundant investment and growth opportunities there.

A lot has changed in Canada, and in particular, Ontario, over the past decade. In Ontario, today, our people are far more entrepreneurial and self reliant, and less inclined to look to government for solutions

Ontario is home to about 11 million people, one-third of Canada's total population. We are the country's economic engine, producing more than half of the country's manufactured goods and 80 per cent of its manufactured exports. One in five Ontarians works in the manufacturing sector.

And, like the United States, Ontario's economy is hot. GDP rose by almost five per cent last year. This year, it's expected to grow by more than three per cent.

The experts say our prospects have rarely looked as good as they do today. Not only are we outperforming the rest of Canada, the consensus among private-sector forecasters is that Ontario's economy will grow more rapidly than any of the G-7 industrialized countries throughout this year.

*\*Dan Reicher, pronounced Riker, Assistant Secretary for Energy Efficiency and Renewable Energy, U.S. Department of Energy.*

In the first 10 months of last year alone, manufacturing shipments rose by 12.2

per cent over the same period in 1998. Overall, Ontario exports climbed nearly 15 per cent, largely due to a 30 per cent jump in auto exports. Our auto sector, by the way, is poised to overtake Detroit in output.

Since our government came to office in 1995, we've cut taxes more than 60 times, including a 30 percent cut in provincial income taxes with another 20 per cent reduction to come over the next five years.

As a result, our economy has created more than 640,000 net new jobs over the past four-and-a-half years. And three out of every five new jobs created have been in the high tech sectors of the economy.

You know, like I do, a growing economy means a growing demand for electricity.

We depend on a reliable and reasonably-priced supply of electricity in Ontario.

In the 1960s and 70s we used our low energy rates to attract manufacturers. Now our rates are the third highest in Canada. And, even though they're still competitive with those in the northeastern U.S. they are not where we want them to be. We can, and we will do better.

We are determined to regain our competitive advantage over the other provinces in Canada and our international competitors.

That is why, two years ago, we set out on a challenging course to reshape Ontario's \$10-billion electricity market and open it up to competition. An open market is our best guarantee of the lowest possible energy prices.

We've been working hard to get our new market up and running, and I'm pleased to say, we're on track to introduce electricity competition at both the wholesale and retail levels this November.

I'd like to take a few moments now to fill you in on what we've done on the electricity generation, distribution and transmission fronts to prepare for the market opening.

Perhaps most important from a consumer perspective, we've established the Independent Electricity Market Operator, known as the IMO.

The IMO functions just like your Independent System Operators here in the U.S.

It's an independent body that will operate the spot market for the purchase and sale of electricity, and ensure a reliable supply.

We've also expanded the powers of the Ontario Energy Board to regulate the electricity marketplace and ensure customers are protected.

We've encouraged our 250 municipal electrical utilities to become more efficient by either merging, working co-operatively, or selling their assets to others, principally the private sector.

And we've restructured Ontario Hydro, formerly a government monopoly into new companies with clear business mandates.

Ontario Power Generation, a successor to Ontario Hydro and the main generator in our province, currently has 85 per cent of the generation market. However, we've put an agreement in place that would see OPG reduce its domestic market share in stages, so that at a maximum 10 years from now, it can have no more than 35 per cent of the total market.

In fact, as a first step over the next 42 months, Ontario Power Generation must reduce its market share by 35 per cent. This will be done through the sale or swap of assets or through private/public partnerships.

This will mean tremendous opportunities for investment. And I'm not talking about pie-in-the-sky potential here. We already have solid deals announced and real projects under way for large amounts of new generation capacity.

The truth is, from the moment we announced we were introducing competition to Ontario's electricity market, we've had considerable interest from investors with a keen eye for emerging trends and the associated opportunities.

The biggest one involves Sinter Energy Incorporated, one of the world's largest independent power companies. Last month they announced a \$1-billion project to develop two 800 megawatt generating facilities that could supply 1.5 million homes and businesses.

American companies such as Enron have also come to Ontario. They're building

a \$100 million dollar single cycle natural gas plant which will begin operating later this year.

To date, more than \$2-billion U.S. in proposed new generation of combined gas and green power projects has been announced.

And there's still much more potential. Consider this. In 1998 alone, Ontario industries used about 45 terra watt hours of electricity and 300 billion cubic feet of natural gas.

If there's one message I want to leave with you today, it's that Ontario is open for business. We want your business.

One of the most positive aspects of electricity competition is the potential benefits for the environment. By streamlining the regulatory process, we're reducing costs and removing barriers to new, more environmentally-benign sources of energy, such as combined heat and power.

By requiring retailers to disclose energy sources to consumers on their bills, we're giving the public the information they need to make decisions on purchasing greener power.

Last week, our government announced tough new measures to improve air quality in Ontario that will affect energy suppliers. One of the goals is to reduce total sulphur dioxide emissions by 50 per cent in the next 15 years.

We're committed to meeting or exceeding U.S. Environmental Protection Agency (EPA) emission standards.

Beginning in May, all electric power generating companies will be subject to new emissions monitoring and reporting standards. This will be followed next January by tougher emissions caps for Ontario's electricity industry.

We're also offering emissions trading as an incentive to industries to surpass legal requirements for reducing discharges of pollutants.

These factors, combined with concerns about the effect of global warming on the environment, will contribute to a stronger demand for clean, efficient generation in Ontario, demand that cogeneration is well-placed to meet.

And while I'm on the subject of the environment, I'd like to commend Trigen Energy Corporation, one of the corporate sponsors of this event, for taking a leadership role in protecting our environment by helping to reduce greenhouse gas emissions.

In addition to its other activities, I know Trigen also owns and operates numerous district heating and cooling systems. These systems provide competitive and environmentally-responsible energy to hospitals, office buildings and universities from Boston to Oklahoma City.

In Ontario, we've also recognized the benefits of district heating systems. In fact, our Toronto District Heating Corporation is the second largest in North America. Its three large steam plants produce heat energy for 120 downtown Toronto buildings, including the University of Toronto.

And in the city of Sudbury, a new \$15 million district heating and cooling system is currently under construction. This is a private/public venture involving the city and Toromont Industries. It will bring online two new 2.5 megawatt gas fired generators, providing electricity to the downtown core.

And in cities like Hamilton, Windsor and Kingston, combined heat and power projects are on the table to expand or establish new systems to serve their businesses and public institutions such as hospitals and schools.

All of these proposals are also private/public sector partnerships.

To sum up, I can tell you we're looking forward to the research and development of more and more innovative and energy-efficient technologies such as combined heat and power generation, which will improve our environment while providing customers with a reliable and affordable power supply.

Many of these emerging technologies, such as the fuel cells we've been hearing so much about, and microturbines, can make smaller cogeneration units cost-effective, opening up new markets for combined heat and power in the commercial and residential sectors.

Just last week, in his State of the Union address, President Clinton urged Congress to support a plan to make more cleaner energy technology available to the rest of the world.

So the future looks promising for combined heat and power projects. In Ontario, we have only just begun to embrace and use this technology to its full potential.

And, by opening up our electricity market, we're creating opportunities for people like you. I hope you will take advantage of those opportunities.

Ontario is open for business. We want your business and I encourage you to speak to us.

Thank you to the organizers and sponsors of this symposium for the opportunity to bring you up-to-date on the opening of Ontario's energy market.